Insurance Company Cherrypicking:
AHIP Study Ignores Key Components of Health Reform Legislation to Produce False Conclusion

America's Health Insurance Plans (AHIP) recently released a report that cherry-picked provisions from the Senate Finance Committee's health reform legislation to produce an outcome they desired: a report showing health reform will cause premiums to rise faster than under the status quo. Immediately after the release, PricewaterhouseCoopers (PWC), the authors of the report, issued a public statement clarifying that AHIP only asked them to evaluate *"certain provisions of health reform bills,"* essentially backing away from using their findings to evaluate any health reform package.

In distancing themselves from their own report, PWC stated: *"The reform packages under consideration have other provisions that we have not included in this analysis. We have not estimated the impact of the new subsidies on the net insurance cost to households. Also, if other provisions in health care reform are successful in lowering costs over the long term, those improvements would offset some of the impacts we have estimated."*

The argument that without reform, premiums would be lower, rests on a highly doubtful assumption by PWC that premiums will grow at the same rate as health care costs. The Kaiser Family Foundation found that cumulative premium increases over the past decade exceeded 100 percent, compared with a 70 percent cumulative increase in health care costs.

In fact, America's Affordable Health Choices Act (H.R. 3200) contains many provisions that will mean lower premiums for individuals and families, including:

- A Public Health Insurance Option that will end local monopolies by insurers and require them to compete on cost and quality, helping to hold down excessive premium growth.

- A requirement that health plans meet minimum medical loss ratios – the percentage of premium dollars spent paying for health care. This means that insurance companies will actually have to provide benefits for the premium dollars they collect, rather than pocket premium dollars as profits or exorbitant CEO salaries.

- Administrative savings associated with the Health Insurance Exchange, insurance market reforms, and standardized benefits within the Exchange. Savings that accrue to insurers from the use of standardized forms and less spending on underwriting and benefit manipulation should be passed through to enrollees in lower premiums.

- An Essential Benefits package that will end "mini-med" plans which have lower premiums, but don't provide coverage when enrollees actually need medical services. This will mean greater value for individuals' and families' premium dollars.

- Subsidies to ensure that coverage through the Exchange is affordable for lower and middle-income individuals and families and insurance premiums don't consume a disproportionate amount of paychecks. Out-of-pocket spending limits will protect against bankruptcy from high medical costs.

- Requirements that people obtain health insurance and that employers contribute to coverage for their employees have been estimated by the Congressional Budget Office to result in coverage for 97 percent of Americans. (CBO letter to Chairman Rangel, 7/17/09)